BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Revised Code, in the Form of an Electric Security Plan.	)	Case No. 13-2385-EL-SSO
In the Matter of the Application of Ohio Power Company for Approval of Certain Accounting Authority.	)	Case No. 13-2386-EL-AAM

MEMORANDUM CONTRA OHIO POWER COMPANY'S APPLICATION FOR REHEARING BY THE ENVIRONMENTAL LAW & POLICY CENTER

I. INTRODUCTION

On June 29, 2015, Ohio Power Company ("AEP" or "Company") filed an Application for Rehearing of the Public Utilities Commission of Ohio's ("Commission") Second Entry on Rehearing issued on May 28, 2015. The Environmental Law & Policy Center ("ELPC") files this Memorandum Contra AEP's Application for Rehearing solely to address AEP's request that the Commission relieve the Company of the obligation to bid demand resources from customers participating in its interruptible power ("IRP") tariff into the relevant PJM markets. ELPC does not oppose AEP's request. However, if the Commission adopts AEP's proposed approach of relying primarily on third-party curtailment service providers ("CSPs"), we urge the Commission to add safeguards to ensure that customers' demand resources are appropriately bid into PJM's capacity, emergency energy, economic energy, and ancillary services markets in the event that CSPs do not step up to fill that role as AEP has envisioned.

Specifically, we respectfully request that the Commission require AEP to act as the backup CSP for customers who do not otherwise take the necessary steps to bid their demand

resources into PJM, either independently or through a third-party CSP. We also ask that the Commission require AEP to include information regarding the bidding of these interruptible resources into PJM in its IRP rider filings, so that the Commission and interested parties may continue to monitor this issue. These steps will benefit AEP's customers by maximizing the participation of interruptible customers' demand resources in all relevant PJM markets, thus ensuring that PJM's markets incorporate interruptible resources where they represent the least-cost option for electric service.

II. DISCUSSION

The Second Entry on Rehearing provided that AEP's IRP tariff must require participating customers to allow AEP "to bid their interruptible resources into PJM's auctions, with resulting revenues credited back to customers through the EE/PDR rider."[1] AEP's June 29, 2015 Application for Rehearing explains that the Company lacks the "technical ability and resources" to bid those demand resources into PJM's economic energy and ancillary service markets.[2] AEP therefore seeks a modification of the Second Entry on Rehearing to instead:

> require the IRP customer to either act directly on its own behalf or contract with a third-party CSP to conduct its bidding, registration, and sales transactions for capacity and emergency energy and all other products that the customer might have the opportunity to sell into PJM's markets. Under that approach, the IRP customer would also be required to enter into an agreement to pass back to AEP Ohio all capacity and emergency energy revenues realized from the PJM markets, so that the Company could then use them to offset the costs of the IRP credits borne by all other customers.[3]

While ELPC does not oppose this approach, we note that it rests on the assumption that existing third-party CSPs will in fact be ready and willing to contract with customers to provide these

[1] Second Entry on Rehearing at 15 (May 28, 2015).
[2] AEP Application for Rehearing at 24 (June 29, 2015).
[3] *Id.* at 26-27.

services.[4] However, AEP has not offered any assertions or evidence regarding the availability of such services in the existing market. If third-party CSPs do not bid interruptible resources into the economic energy and ancillary services markets, then those resources will not be utilized where they are the least-cost option and customers in PJM territory – including AEP's customers – will pay more than necessary for those aspects of electric service.

Accordingly, ELPC requests that the Commission provide a safeguard against the possibility that the demand resources available under AEP's IRP tariff are not being appropriately bid into all relevant PJM markets, by requiring AEP to handle bids into the capacity, emergency energy, economic energy, and ancillary services markets for customers who are unable to find a CSP to fill that role. Although AEP has suggested it would oppose this approach because of its asserted lack of "technical ability and resources" to bid demand resources into the economic energy and ancillary services markets, the Company has not established why it cannot take steps to develop that technical ability or why it would be imprudent to dedicate resources to doing so. Moreover, there are two reasons to think that it would be useful for AEP to develop these capabilities. First, AEP may well be better positioned than third-party CSPs to aggregate interruptible resources for effective participation in these markets. And second, having AEP serve as the CSP for its interruptible customers under a standard tariff would be more straightforward than entering into contracts on a customer-by-customer basis. In the absence of any explanation as to why AEP cannot develop the ability to participate in PJM's economic energy and ancillary services markets as it currently does in the capacity and emergency energy markets, there is no reason for the Commission to relieve AEP of

[4] Given AEP's protestations regarding its inability to handle bidding demand resource into the economic energy and ancillary service markets, it is not clear that IRP customers would be able to undertake that task either.

the obligation to ensure that its customers' interruptible resources are bid into PJM so as to produce the maximum possible benefit for AEP's customers.

Finally, ELPC requests that – whether or not the Commission orders AEP to act as a backup CSP – AEP be required to include information in its IRP rider filings regarding the proportion of interruptible resources that are being bid into the PJM capacity, emergency energy, economic energy, and ancillary services markets. It may be that AEP's proposal for third-party CSPs to conduct such bidding will work as planned. But AEP must provide the Commission with the data necessary to determine whether that is in fact the case, so that the Commission may take appropriate steps if AEP's predictions do not prove accurate.

III. CONCLUSION

As described above, AEP has requested that the Commission remove the obligation for it to act as the CSP for its interruptible customers, in favor of third-party CSPs that may be better equipped for the task. However, in the absence of evidence that third-party CSPs will effectively carry out that role, the Commission must monitor the implementation of any such approach and, in the meantime, ensure that AEP handles bidding of demand resources as appropriate where third-party CSPs are not doing so.

Dated: July 9, 2015

Respectfully submitted,

/s/ Madeline Fleisher
Madeline Fleisher
Robert Kelter
Environmental Law & Policy Center
21 W. Broad St., Ste. 500
Columbus, OH 43215
P: 614-670-5586
F: 312-795-3730
Email: mfleisher@elpc.org

Counsel for Environmental Law & Policy Center

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Memorandum Contra the Application for Rehearing of Ohio Power Company has been electronically filed with the Public Utilities Commission of Ohio and has been served upon the following parties via electronic mail on July 9, 2015.

/s/ Madeline Fleisher
Madeline Fleisher

PARTIES SERVED

stnourse@aep.com
mjsatterwhite@aep.com
dconway@porterwright.com
lbouknight@steptoe.com
Vesta.Miller@puc.state.oh.us
sam@mwncmh.com
fdarr@mwncmh.com
mpritchard@mwncmh.com
Maureen.grady@occ.ohio.gov
Joseph.serio@occ.ohio.gov
dboehm@BKLlawfirm.com
mkurtz@BKLlawfirm.com
jkylercohn@BKLlawfirm.com
BarthRoyer@aol.com
Gary.A.Jeffries@dom.com
Rocco.dascenzo@duke-energy.com
Elizabeth.Watts@duke-energy.com
ricks@ohanet.org
tobrien@bricker.com
dborchers@bricker.com
Philip.Sineneng@ThompsonHine.com
whitt@whitt-sturtevant.com
campbell@whitt-sturtevant.com
lfriedeman@igsenergy.com
Bojko@carpenterlipps.com
Hussey@carpenterlipps.com
haydenm@firstenergycorp.com
jmcdermott@firstenergycorp.com
scasto@firstenergycorp.com
David.schwartz@lw.com
cmooney@ohiopartners.org
myurick@taftlaw.com
judi.sobecki@aes.com
tyler.teuscher@dplinc.com
tdougherty@theOEC.org
jfinnigan@edf.org
joseph.clark@directenergy.com
msmalz@ohiopovertylaw.org
plee@oslsa.org
mhpetricoff@vorys.com
glpetrucci@vorys.com
mjsettineri@vorys.com
lhawrot@spilmanlaw.com
dwilliamson@spilmanlaw.com
tshadrick@spilmanlaw.com
swilliams@nrdc.org
gpoulos@enernoc.com
tsiwo@bricker.com
schmidt@sppgrp.com
mfleisher@elpc.org
rkelter@elpc.org

ALJ:

sarah.parrot@puc.state.oh.us
greta.see@puc.state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/9/2015 4:25:38 PM

in

Case No(s). 13-2385-EL-SSO, 13-2386-EL-AAM

Summary: Memorandum Contra Ohio Power Company's Application for Rehearing by the Environmental Law & Policy Center electronically filed by Madeline Fleisher on behalf of Environmental Law and Policy Center